

Memorandum

To: Panel Members Date: October 24, 2002

From: Charles Rufo, Manager Analyst: J. Daunt
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **The Pines Resorts of California, d.b.a. The Pines Resort and Conference Center (HUA/SET)**
(www.basslake.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
SET Workers in High Unemployment Areas
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 128
 - In California: 128
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$127,400
- Substantial Contribution: \$0
- Total ETP Funding: \$127,400
- In-Kind Contribution: \$152,340
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Madera
- Duration of Agreement: 24 months

SUBCONTRACTORS:

National Training Company, Nicasio, California, not to exceed \$16,500, Administrative Services.

THIRD PARTY SERVICES:

National Training Company, Nicasio, California, assisted with the training assessments and with the preparation of the Training Plan and Application documents, for a flat fee of \$10,000.

PRIOR PROJECTS:

None.

ACTIVE PROJECTS:

None.

NARRATIVE:

The California Technology Trade and Commerce Agency (TTCA) brought this project to the Panel.

The Pines Resorts of California, d.b.a. The Pines Resort and Conference Center, is eligible for ETP funding under Title 22, California Code of Regulations, Section 4416(d)(3)(A)(2) as a destination resort in California, at its location on the shores of Bass Lake in the Sierra Nevada, near Yosemite National Park. Of the Pines Resort's revenues, 45.6 percent originate from outside of the state.

Established in 1977, The Pines Resort and Conference Center is a full-service, year-round resort on the shores of Bass Lake consisting of over 80 two-story chalets, as well as meeting rooms, tennis courts, boat docks, and a wood and stone lodge known as Ducey's On The Lake. The original lodge, Freeman's Bass Lake Lodge, was built in 1941. In 1950, the property was purchased and the name was changed to Ducey's Bass Lake Lodge. In the spring of 1988, the lodge burned to the ground, the result of a kitchen fire. The Pines Resort rebuilt the facility, now known as Ducey's On The Lake, in 1991.

Located in Madera County one hour northeast of Fresno and 14 miles from Yosemite's southern entrance, The Pines Resort on Bass Lake today consists of 104 guestrooms (20 suites and 84 two-story chalets), a newly renovated conference center accommodating 350 people, two restaurants, a bar, and a water company providing water for the resort as well as for homes and businesses in the Bass Lake area. The resort employs approximately 128 full-time workers, from Mariposa, Madera, and Fresno Counties.

Hotels, resorts, and conference centers all over the United States are in competition for both tourists and conference center business. The tourist industry in California has taken a major blow since September 11, 2001. Out-of-state tourism in 2002 is down 35% from 2001. The Pines Resort has been able to maintain staff, even during this down time; however, Pines officials have determined that The Pines Resort needs to change the way it normally does business, from its traditional business structure to a high performance workplace, in order to attract more out-of-state clients.

NARRATIVE: (continued)

The Pines' working environment has remained unchanged for many years. Frontline workers have been resorting to management to make all decisions, and management has been burdened with trying to micro-manage and solve problems on all levels without taking full advantage of front-line workers' potential.

In contrast, The Pines Resort has developed a training plan which will allow employees to make decisions and to grow in their ability to take responsibility. Workers need to learn to take more responsibility in solving problems, to work together in teams, and to make sure that guests are getting the best service possible. The Pines Resort is proposing to provide its employees with a curriculum consisting of training in Continuous Improvement Skills, Business Skills, Computer Skills, and Management Skills.

Continuous Improvement: Training in Continuous Improvement will be provided to all occupations identified in the Training Plan table, in Jobs 1 through 3. Employees in all three Job numbers will receive training in Continuous Improvement skills that include Quality Concepts, Quality Improvement, Problem Solving, Team Building, and other Team Skills, in order for employees to attain the type of productivity and self-reliance needed in the workplace.

Business Skills: Training in Business Skills will be provided to all occupations identified in the Training Plan table, in Jobs 1 through 3. The focus will be on providing employees with a broad spectrum of Business Skills including customer service techniques, communication skills, telephone sales techniques, handling conflict, dealing with difficult guests, and related skills as detailed in the curriculum, as well as the means to implement these new skills in the workplace. The intent is for employees to better interact directly with guests, in order to aid them in solving problems.

Computer Skills: Training in Computer Skills will be provided to all occupations identified in the Training Plan table, in Jobs 1 through 3. Current knowledge of the software in use at The Pines Resort is insufficient among employees. Updated Computer Skills training will be provided so that The Pines Resort can keep pace technologically with its competition. In order to improve efficiency and productivity, and to accommodate the Resort's changing technological needs in the hospitality field, it is important that the employees receive consistent computer skills training.

Management Skills: Training in Management Skills will be provided to Supervisors and Managers in Job 1. In order for Supervisors and Managers to be more effective and take a leading role in creating a high performance workplace, they will need to learn, in a formal training context, leadership and motivational skills in order to effectively delegate responsibility for problem-solving and decision-making to the front-line workers. This will free the Supervisors and Managers to concentrate on larger issues, such as effective communication and interaction between departments. Supervisors and Managers will also be trained to more fully motivate their teams to embrace and perform at an improved level of service. The Management Skills training is designed to provide Supervisors and Managers with the skills and ability to work more effectively together in defining, setting, and carrying out hotel policy and goals, while keeping in mind the needs of both the internal staff and guests.

Supplemental Nature of Training

The Pines Resort's current training consists of new employee orientation, basic safety (including OSHA requirements), and basic supervisory skills. These are not included in the current proposal.

Supplemental Nature of Training (continued)

In contrast to the training currently provided, the new training will take employees to a higher level of personal responsibility and will enable them to serve the guests more efficiently. The intent is for the training program to create a positive cycle that will bring in more revenue from returning guests. This has not been attempted before on a resort-wide basis. By providing training to the bulk of the workforce, The Pines Resort will strive for seamlessness so that the same quality of service is apparent and is provided in all departments.

The current proposal is for a resort-wide, structured approach that will ensure that the new occupational skills will address employee training needs with significantly greater efficiency and impact than has occurred under earlier training.

In the two years following the ETP training, The Pines Resort will provide training in Vocational English as a Second Language (VESL) for those who qualify. Their occupations will be Housekeeping and Restaurant staff. The Pines Resort will also continue to provide OSHA training for all employees, as well as additional job skill training for employees in housekeeping and restaurant service. The estimated cost is \$22,000.

In-Kind Contribution

The Pines Resort and Conference Center estimates \$126,340 in wages and benefits to be paid to trainees during training hours; as well as an estimated \$26,000 for 1) project development and training needs assessments (\$10,000); and 2) training materials and supplies (\$16,000). The total estimated contribution is \$152,340.

COMMENTS:

Of the 125 trainees in this project, 100 meet the definition of frontline worker under Title 22 California Code of Regulations, Section 4400(ee). Additionally, 7 Supervisors and 18 Managers will be participating in the project, representing 20 percent of the trainees.

Service Charges

A proposed policy change would allow the inclusion of mandatory service charges (banquet tips) as part of employee wages for the purpose of meeting ETP's minimum wage requirement, if the mandatory service charges are 1) compulsory charges that must be paid in addition to regular charges by a customer directly to an establishment; 2) subject to sales tax; 3) distributed by the employer to the employee(s); and, 4) considered wages for federal employment tax purposes and for income tax withholding – as opposed to voluntary gratuities which are defined as optional tips paid directly to employees and exempt from sales tax. Should the proposed policy change on mandatory service charges (banquet tips) be adopted, the following Job 3 trainees would be affected: three (3) employees in the occupation Banquet Servers II, and one (1) employee in the occupation Restaurant Staff II – such that their wages may be augmented sufficiently to satisfy the ETP minimum wage, including health benefits, without recourse to the requested wage waiver for a high unemployment area (see below).

High Unemployment Area Waiver Request

Unemployment Insurance Code, Section 10201.5, gives the Employment Training Panel the authority to waive the ETP minimum wage requirements for frontline workers in regions of the state where the

High Unemployment Area Waiver Request (continued)

unemployment rate is significantly higher than the state average. These projects should focus on the “working poor” for workers who have full-time jobs and fairly stable employment, but who earn low wages in “dead-end jobs” and lack the essential job skills necessary to improve their employment opportunities.

For the 45 trainees in Job 3, the applicant is requesting a waiver of the ETP minimum hourly wage of \$11.15 for Madera County, which is recognized as a high unemployment area within California. Based on Employment Development Department (EDD) figures for August 2002, the unemployment rate in Madera County is 9.9 percent, while the statewide rate is 6.2 percent. The applicant is requesting that for the 45 trainees in Job 3, the minimum wage be reduced to \$8.91 per hour.

The range of hourly wages for Job 3 is \$7.50-\$10.10 per hour, without health benefits. The company has agreed to increase the hourly base wage of these trainees by at least five percent immediately following the 90-day retention period. After the training and 90-day retention period, the lowest hourly wage range will be \$8.91 (inclusive of the five percent wage increase of at least \$.38 per hour and at least \$1.03 per hour in health benefits). The five (5) percent increase is not a cost of living increase.

Staff Recommendation: Staff recommends that the request for a waiver of the ETP minimum wage for Job 3 trainees only be approved. These workers would be gaining an opportunity for advancement in both income and marketable occupational skills, as a result of the ETP-funded training.

PROPOSED ACTION:

Staff recommends that the Panel find The Pines Resort and Convention Center’s application reasonable and approve the One-Step Agreement and minimum wage waiver request, if funding is available and the project meets Panel’s priorities. Resort officials have stated that the training outlined in this proposal will provide employees with the occupational skills needed to move the business toward high performance, thereby improving customer satisfaction and enhancing general business viability.

TRAINING PLAN:

Job Number / Trainee Type	Types of Training	No. Retain	No. Class / Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
1 / Retrainee	Management Skills Continuous Improvement Business Skills Computer Skills	25	104	0	0	\$1,352	\$11.25- \$45.00
2 / Retrainee	Continuous Improvement Business Skills Computer Skills	55	72	0	0	\$936	*\$11.15- \$18.00
3 / SET HUA Retrainee	Continuous Improvement Business Skills Computer Skills	45	72	0	0	\$936	*\$8.91- \$11.10
					<u>Range of Hourly Wages</u>		
					*\$8.91-\$45.00		
					<u>Prevalent Hourly Wage</u>		
					\$11.15		
					<u>Average Cost per Trainee</u>		
					\$1,019		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>		<u>% of Mgrs & Supervisors to be trained:</u>
* Retrainees in Job 2 (non-SET) will receive Health Benefits of at least \$1.03 per hour in addition to their base wages after the 90-day retention period to meet the ETP minimum hourly wage of \$11.15 for Madera County.					10%		20%
* Retrainees in Job 3 (SET) will receive Health Benefits of at least \$1.03 per hour and at least a five (5) percent wage increase of at least \$.38 per hour in addition to the base wage of \$7.50 to meet the requested minimum hourly wage of \$8.91 (\$7.50 + \$1.03 + \$.38 = \$8.91) for Job 3 (SET) trainees after the 90-day retention period.							

MENU CURRICULUM
THE PINES RESORT & CONFERENCE CENTER

Hours
<u>Class/Lab</u>
Job 1 = 104
Job 2 = 72
Job 3 = 72

Trainees will receive one or more of the following:

CONTINUOUS IMPROVEMENT

- Problem Solving
- Quality Concepts
- Quality Improvement
- Resolving Team Conflict
- Team Building
- Team Communication & Diversity
- Team Meetings

BUSINESS SKILLS

- Developing Guest Loyalty
- Putting Guests First
- Service Delivery Skills
- Guest Service Communication
- Providing a Five Star Experience
- Handling Conflict
- Dealing with Difficult Guests
- Telephone Sales Techniques
- Up-selling Skills

COMPUTER SKILLS

- Fundamentals of Computers
- Microsoft Word
- Excel
- Microsoft Publisher
- Using the Internet
- Lanmark
- Lanmark Reservation
- Private Branch Exchange (PBX) System
- Remanco (Restaurant Management Computer System)
- Cashiering

MENU CURRICULUM (continued)

THE PINES RESORT & CONFERENCE CENTER

MANAGEMENT SKILLS (JOB 1 ONLY)

- Coaching and Counseling
- Communication
- Delegating & Monitoring
- Evaluating Performance
- Leadership Skills
- Managing Meetings
- Motivation Training
- Performance Management